

THE LANDIS SEWERAGE AUTHORITY
AUDIT REPORT
YEARS ENDED DECEMBER 31, 2018 AND 2017



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INDEPENDENT AUDITOR'S REPORT

Chairman and Commissioners of
The Landis Sewerage Authority
Vineland, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of The Landis Sewerage Authority as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Landis Sewerage Authority as of December 31, 2018 and 2017, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of net pension liability and schedule of employer contributions, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Landis Sewerage Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2019 on our consideration of The Landis Sewerage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Landis Sewerage Authority's internal control over financial reporting and compliance.

ROMANO, HEARING, TESTA & KNORR

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Certified Public Accountants

August 27, 2019

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Chairman and Commissioners of
The Landis Sewerage Authority
Vineland, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of The Landis Sewerage Authority as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise The Landis Sewerage Authority's basic financial statements, and have issued our report thereon dated August 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Landis Sewerage Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Landis Sewerage Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of The Landis Sewerage Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Landis Sewerage Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*, and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, in considering The Landis Sewerage Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

ROMANO, HEARING, TESTA & KNORR

A handwritten signature in blue ink that reads "Romano, Hearing, Testa & Knorr". The signature is written in a cursive, flowing style.

Certified Public Accountants

August 27, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**



MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of The Landis Sewerage Authority's (the Authority) annual financial report presents the analysis of the Authority's overall financial position and results of operation for the year that ended on December 31, 2018. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Authority's Net Capital Assets total \$60.86 million, which is a \$6.9 million or 12.93% increase from 2017.

- The Authority's Total Assets are \$90.56 million, which is a \$.46 million or .51% increase from 2017.
- During the year, the Authority's operating revenues were \$10.88 million, which is a \$.13 million or 1.20% increase from 2017 and operating expenses were \$11.16 million, which is a \$.27 million or 2.51% increase from 2017.
- The Authority's Net Position decreased by \$.087 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a single enterprise fund. The Authority's Audit Report includes the required Basic Financial Statements, as described below, the Notes to Financial Statements, required supplementary information, which consists of this Management Discussion and Analysis and required Pension Schedules and finally, supplementary information.

REQUIRED FINANCIAL STATEMENTS

The financial statements report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

The **Statement of Net Position** includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority, and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the **Statement of Revenues, Expenses and Changes in Net Position**. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all its costs through its wastewater treatment user fees and other charges. This statement also measures the Authority's profitability and credit worthiness. The other required financial statement is the **Statement of Cash Flows**. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities, and provides answers to such questions as "where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period?"

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

One of the most important questions asked about the Authority's finances is "Is the Authority, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's activities in a way that will help answer this question. These two statements report the net position of the Authority, and changes in net position. You can think of the Authority's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, customer growth, and legislative mandates.

The analysis below focuses on the Authority's net position (Table 1) and changes in net position (Table 2) during the year.

Table 1
Net Position
(Dollars in Thousands)

	2018	2017	2018 – 2017	
			Increase (Decrease)	
			\$	%
Current Assets	\$ 28,553	\$ 34,140	\$ (5,587)	(16.36)
Noncurrent Assets	62,004	55,954	6,050	10.81
Total Assets	<u>90,557</u>	<u>90,094</u>	<u>463</u>	.51
Deferred Outflows of Resources	<u>3,000</u>	<u>2,851</u>	<u>149</u>	5.23
Current Liabilities:				
Payable from Unrestricted Assets	1,049	914	135	14.77
Payable From Restricted Assets	3,100	1,506	1,594	105.84
Long-Term Liabilities	<u>34,653</u>	<u>36,473</u>	<u>(1,820)</u>	(4.99)
Total Liabilities	<u>38,802</u>	<u>38,893</u>	<u>(91)</u>	(.74)
Deferred Inflows of Resources	<u>7,764</u>	<u>6,975</u>	<u>789</u>	11.31
Investment in Capital Assets	49,185	49,823	(638)	(1.28)
Restricted Net Position:				
Debt Service	623	606	17	2.81
Operating	1,548	1,515	33	2.18
Renewal & Replacement	500	500	0	.0
Unrestricted	<u>(4,865)</u>	<u>(5,366)</u>	<u>501</u>	9.33
Total Net Position	<u>\$ 46,991</u>	<u>\$ 47,078</u>	<u>\$ (87)</u>	.18

Table 2
**Statement of Revenues,
and Changes in Net
Position Expenses**
(Dollars in Thousands)

	2018	2017	2018 – 2017	
			Increase(Decrease) \$	%
Operating Revenues:				
User Charges & Fees	\$ 10,145	\$ 10,284	\$ (139)	(1.35)
Connection Fees	502	249	253	101.61
Other Operating	233	217	16	7.37
Nonoperating Revenues	275	151	124	82.12
Total Revenues	<u>11,155</u>	<u>10,901</u>	<u>254</u>	<u>2.33</u>
Operating Expenses:				
Cost of Providing Services	6,840	6,538	302	4.60
Administrative and General	2,072	2,181	(109)	(4.99)
Depreciation	2,252	2,171	81	3.73
Non-Operating Expense:				
Interest	126	207	(81)	(39.13)
Other	50	0	50	100.00
Total Expenses	<u>11,340</u>	<u>11,097</u>	<u>243</u>	<u>2.18</u>
Loss Before Capital Contributions	(185)	(196)	11	(5.61)
Capital Contributions	<u>98</u>	<u>55</u>	<u>43</u>	<u>78.18</u>
Change in Net Position	(87)	(141)	54	(38.30)
Total Net Position-Beginning	<u>47,078</u>	<u>47,219</u>	<u>(141)</u>	<u>(.29)</u>
Total Ending Net Position	<u>\$ 46,991</u>	<u>\$ 47,078</u>	<u>\$ (87)</u>	<u>.18</u>

REVENUES

The Authority's total revenues are approximately \$11.16 million for the year ended December 31, 2018. User Charges & Fees were \$10.1 million accounting for 91% of total revenue. Operating expenses include cost of providing services, which totaled \$6.8 million and administrative and general of \$2.1 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of December 2018 the Authority had \$60.86 million invested in a broad range of capital assets. More detailed information about capital assets can be found in Note 3 to the financial statements. Total depreciation expense for the year was \$2.25 million.

The following tables summarize the Authority's capital assets, net of accumulated depreciation, and changes therein, for the year ended December 31, 2018.

Table 3
Capital Assets, Net of Accumulated Depreciation
(Dollars in Thousands)

	2018	2017	2018- 2017	
			Increase(Decrease) \$	%
Land	\$ 1,998	\$ 1,993	\$ 5	.25
Treatment Plant and Pumping Stations	23,263	23,634	(371)	(1.57)
Mains & Accessories	23,519	22,500	1,019	4.53
Machinery & Equipment	3,992	3,928	64	1.63
Office Furniture & Fixtures	24	28	(4)	(14.29)
Construction in Progress	8,068	1,808	6,260	346.24
	<u>\$ 60,864</u>	<u>\$ 53,891</u>	<u>\$ 6,973</u>	12.94

This year's additions (in thousands) include:

Land Improvements	\$ 5
Treatment Plant and Pumping Stations	997
Mains & Accessories	1,523
Machinery and Equipment	434
Construction in Progress	6,260
Office Furniture & Fixtures	6

The Authority's FY 2019 capital budget plans for investing another \$16.308 million in capital projects, including the following (in thousands):

Collection	\$ 1,607
Truck, Vehicles	55
Pump Stations	6,916
Communication/Safety	7
Plant & Process Equipment	7,174
Office Equipment	10
Lab Equipment	12
Farm Equipment	527
TOTAL	<u>\$ 16,308</u>

The Authority plans on funding those capital projects using a combination of existing cash and year 2019 revenue and borrowing.

Debt Administration

At December 31, 2018, the outstanding balance of the Series 1993 Bonds consists of Term Bonds in the amount of \$1,200,000 that mature in the year 2019 with interest rates of 5.65%. In August 2016, the Authority issued \$25,000,000 in new debt that mature in various amounts through 2046 with an interest rate of 3.95%. More detailed information about long-term liabilities can be found in Note 4 to the financial statements.

NEXT YEAR'S BUDGETS AND RATES

The 2019 adopted budget did not include a rate increase.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Authority's customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Authority's Executive Director at The Landis Sewerage Authority, 1776 South Mill Road, Vineland, NJ.

BASIC FINANCIAL STATEMENTS

**THE LANDIS SEWERAGE AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017**

ASSETS	2018	2017
CURRENT ASSETS - UNRESTRICTED:		
Cash and Cash Equivalents	\$ 875,240	\$ 717,033
Accounts Receivable	1,476,267	1,335,245
Other Receivables	141,866	24,139
Due from Restricted Assets	1,268	1,268
Prepaid Expenses	46,033	62,610
Inventory	535,938	458,366
Total Current Assets - Unrestricted	3,076,612	2,598,661
CURRENT ASSETS - RESTRICTED:		
Accounts Required by the Authority's Bond Resolution:		
Cash and Cash Equivalents	25,316,726	31,382,251
Interest Receivable	29,885	37,280
Other Accounts:		
Cash and Cash Equivalents	129,854	122,122
Total Current Assets - Restricted	25,476,465	31,541,653
NONCURRENT ASSETS:		
Accounts Required by the Authority's Bond Resolution:		
Investments	1,139,508	2,063,533
Capital Assets, Net	60,864,503	53,890,935
Total Noncurrent Assets	62,004,011	55,954,468
TOTAL ASSETS	90,557,088	90,094,782
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Loss on Defeasance of Debt	6,391	18,951
Deferred Amount Relating to Pensions	2,994,346	2,832,593
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,000,737	2,851,544

(Continued)

**THE LANDIS SEWERAGE AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED ASSETS:		
Accounts Payable - Operations	\$ 325,962	\$ 275,864
Accrued Pension Liability	461,677	389,090
Accrued Liabilities - Other	261,225	248,850
Sewer Rent Overpayments	113	113
Total Current Liabilities Payable From Unrestricted Assets	1,048,977	913,917
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Contracts Payable - Construction	1,603,654	101,473
Retainage Payable - Construction	74,848	3,898
Due to Unrestricted Assets	1,268	1,268
Revenue Bonds Payable - Current Portion	1,200,000	1,200,000
Accrued Interest Payable - Bonds	3,344	1,115
Escrow - 1989 Sewer Bond	1,444	1,444
Escrow - Developers	106,487	98,755
Due to Developers	109,105	98,005
Total Current Liabilities Payable From Restricted Assets	3,100,150	1,505,958
LONG-TERM LIABILITIES:		
Accrued Pension Liability - Non-Current Portion	230,839	194,545
Revenue Bonds Payable - Non-Current Portion	24,999,739	26,199,232
Accrued Compensated Absences	283,510	302,539
Net Pension Liability	9,138,838	9,777,051
Total Long-Term Liabilities	34,652,926	36,473,367
TOTAL LIABILITIES	38,802,053	38,893,242
DEFERRED INFLOWS OF RESOURCES:		
Deferred User Charge Revenue	3,154,155	3,255,790
Deferred Connection Fees Revenue	936,463	946,310
Deferred Amount Relating to Pensions	3,673,517	2,772,506
TOTAL DEFERRED INFLOWS OF RESOURCES	7,764,135	6,974,606
NET POSITION (DEFICIT):		
Net Investment in Capital Assets	49,185,007	49,823,484
Restricted:		
Debt Service	622,679	605,772
Operating	1,548,000	1,515,000
Renewal and Replacement	500,000	500,000
Unrestricted	(4,864,049)	(5,365,778)
TOTAL NET POSITION	\$ 46,991,637	\$ 47,078,478

The accompanying Notes to Financial Statements are an integral part of these statements

THE LANDIS SEWERAGE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUE:		
User Charges and Fees	\$ 10,144,945	\$ 10,283,568
Connection Fees	501,520	249,000
Other	232,958	217,509
	<hr/>	<hr/>
Total Operating Revenue	10,879,423	10,750,077
	<hr/>	<hr/>
OPERATING EXPENSES:		
Cost of Providing Services	6,839,466	6,538,172
Administrative and General	2,072,089	2,180,391
Depreciation	2,251,760	2,171,333
	<hr/>	<hr/>
Total Operating Expenses	11,163,315	10,889,896
	<hr/>	<hr/>
OPERATING LOSS	(283,892)	(139,819)
	<hr/>	<hr/>
NON-OPERATING REVENUE (EXPENSES):		
Miscellaneous Income	61,043	21,260
Interest Income	243,140	165,605
Interest Expense	(125,802)	(206,657)
Appropriation to City of Vineland	(50,000)	
Decrease in Fair Value of Investments	(29,026)	(35,650)
	<hr/>	<hr/>
Total Non-Operating Revenue (Expenses)	99,355	(55,442)
	<hr/>	<hr/>
LOSS BEFORE CAPITAL CONTRIBUTIONS	(184,537)	(195,261)
	<hr/>	<hr/>
CAPITAL CONTRIBUTIONS	97,696	54,665
	<hr/>	<hr/>
CHANGE IN NET POSITION	(86,841)	(140,596)
	<hr/>	<hr/>
TOTAL NET POSITION- BEGINNING	47,078,478	47,219,074
	<hr/>	<hr/>
TOTAL NET POSITION- ENDING	<u>\$ 46,991,637</u>	<u>\$ 47,078,478</u>

The accompanying Notes to Financial Statements are an integral part of these statements

**THE LANDIS SEWERAGE AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers and Users	\$ 10,393,961	\$ 10,286,866
Cash Payments to Suppliers for Goods and Services	(3,078,356)	(2,827,745)
Cash Payments for Employee Services	(5,640,824)	(5,584,399)
Other Operating Receipts (Payments)	126,331	176,579
	<u>1,801,112</u>	<u>2,051,301</u>
Net Cash Provided by Operating Activities		
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Other Non-Operating Revenue and Expenses	11,043	21,260
	<u>11,043</u>	<u>21,260</u>
Net Cash Provided by Non-Capital Financing Activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(7,606,797)	(2,728,776)
Principal Paid on Bonds	(1,200,000)	(1,100,000)
Interest Paid on Bonds	(110,506)	(190,722)
Increase (Decrease) in Escrow Accounts	7,732	(1,370)
Capital Contributions	52,296	9,265
	<u>(8,857,275)</u>	<u>(4,011,603)</u>
Net Cash Used In Capital and Related Financing Activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale and Maturities of Investments	894,999	
Interest Received on Investments	250,535	165,329
	<u>1,145,534</u>	<u>165,329</u>
Net Cash Provided by Investing Activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,899,586)	(1,773,713)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>32,221,406</u>	<u>33,995,119</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 26,321,820</u>	<u>\$ 32,221,406</u>

(Continued)

**THE LANDIS SEWERAGE AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Loss	\$ (283,892)	\$ (139,819)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	2,251,760	2,171,333
Increase (Decrease) in Cash Resulting From Changes in:		
Accounts Receivable	(141,022)	11,406
Grant and Other Receivables	(117,727)	(8,430)
Prepaid Expenses	16,577	98,508
Inventories	(77,572)	8,610
Deferred Outflows - Amount Related to Pensions	(161,753)	1,456,143
Accounts Payable - Operations	50,098	(124,004)
Accrued Pension Liability - Current	72,587	(20,740)
Accrued Liabilities - Other	12,375	134,240
Due to Developers	11,100	(32,500)
Deferred User Charge Revenue	(101,635)	(111,168)
Deferred Connection Fees	(9,847)	(145,940)
Net Pension Liability	(638,213)	(3,885,921)
Accrued Pension Liability - Non-Current	36,294	(10,370)
Accrued Compensated Absences	(19,029)	(21,869)
Deferred Inflows - Amount Related to Pensions	<u>901,011</u>	<u>2,671,822</u>
Total Adjustments	<u>2,085,004</u>	<u>2,191,120</u>
Net Cash Provided by Operating Activities	<u>\$ 1,801,112</u>	<u>\$ 2,051,301</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:		
Cash and Cash Equivalents - Unrestricted	\$ 875,240	\$ 717,033
Cash and Cash Equivalents - Restricted Accounts Required by Authority's Bond Resolutions	25,316,726	31,382,251
Cash and Cash Equivalents - Other Restricted Accounts	<u>129,854</u>	<u>122,122</u>
	<u>\$ 26,321,820</u>	<u>\$ 32,221,406</u>

The accompanying Notes to Financial Statements are an integral part of these statements

NOTES TO THE FINANCIAL STATEMENTS

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Landis Sewerage Authority, a public body corporate and politic organized and existing under the laws of the State of New Jersey, owns and operates certain sewerage collection, transmission, treatment and disposal facilities and is presently responsible for providing sanitary sewerage service to the City of Vineland and to neighboring areas. The Authority bills and collects its revenue from the users of the system.

The Authority was established on July 15, 1946, by an ordinance of the Township Committee of the former Landis Township, now part of the City of Vineland pursuant to the Act. The Authority has been in continuous existence since it was established.

As a public body, under existing statute the Authority is exempt from both federal and state taxes.

Financial Reporting Entity

The commissioners of the Authority are appointed by the City Council of the City of Vineland and therefore, the Authority is a related organization of the City as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No.61, but not a component unit of the City. The Authority does not have any component units for which it is accountable.

Basis of Presentation

The accounts of the Authority are an enterprise fund. An enterprise fund is a Proprietary type fund used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or the change in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The accompanying financial statements are reported using the “economic resources measurement focus,” and the “accrual basis of accounting.” Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations.

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The principal operating revenues of the Authority are user charges and fees for sewerage treatment. The Authority also recognizes income from the sale of crops raised in its farm operations, lab testing fees, connection fees and receiving station income as operating revenue. Operating expenses include cost of providing services, administrative and general expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. The budget must be introduced by the governing body at least 60 days prior to end of the current fiscal year, and adopted no later than the beginning of the Authority's fiscal year. The budget is adopted on the accrual basis of accounting with provision for cash payments for bond principal. Depreciation and amortization expense are not included as budget appropriations. The Authority may make budget transfers and amendments at any time, which must be approved by resolution of the Authority and by the State of New Jersey Division of Local Government Services if the legal level line items are affected. Detailed line item transfers not affecting the legal level line items may be made by management at any time. There are no statutory provisions that budgetary line items not be over-expended.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase. Investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to adopt a cash management plan and to deposit and/or invest its funds pursuant to that plan. The governing body of the Authority has adopted a cash management plan ("the plan") and, as required, approves the plan annually. The plan includes the designation of the public depositories to be utilized by the Authority to deposit public funds.

Eligible depositories are defined in section 1 of P.L. 1970, c.236 (C. 17:9-41) and are limited to banks or trust companies having their place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or with the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey governments and their component units.

N.J.S.A. 17:9-41 et. seq., which establishes the requirements for the security of deposits of governmental units, requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents and Investments (Continued)

Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include state or federally chartered banks, savings banks or associations located in the State of New Jersey or state or federally chartered banks, savings banks or associations located in another state with a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least five percent (5%) of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

The cash management plan adopted by the Landis Sewerage Authority requires it to deposit funds in public depositories protected from loss under the provisions of GUDPA.

Accounts Receivable

The Authority has provided for doubtful accounts by the allowance method. The allowance for doubtful accounts is based upon management's estimate of potentially uncollectible accounts.

Inventory

Inventory consists principally of chemicals and supplies used in the treatment process and are stated at cost determined on a first-in, first-out basis. Inventory consists principally of chemicals, fuels, materials and supplies used in the treatment process and farm operation and are stated at cost determined on a first-in, first-out basis.

Capital Assets

Capital assets, which consist of property, plant and equipment, are stated at cost which includes direct construction costs and other expenditures related to construction.

Capital assets are defined by the Authority as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and put into operation. Construction in progress is stated at cost, which includes interest expense incurred during construction.

The Authority reduces the capitalized project costs by the amount of interest earned from the investment of project funds and amortization of the premium received in connection with the issuance of debt; which has the effect of reducing the cost of borrowing.

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Plant and equipment is depreciated using the straight line method over the following estimated useful lives:

Treatment plant and pumping stations	40 years
Sewer mains, improvements and accessories	75 years
Machinery and equipment	5 - 15 years
Office furniture	5 - 10 years
Vehicles	5 years

Deferred Outflows and Deferred Inflows of Resources

The Statements of Net Position report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after Total Assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after Total Liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflow of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards.

The Authority reports the following as deferred outflows of resources:

Defined Benefit Pension Plans – The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contribution and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

Deferred Amount on Refunding – The deferred amount on refunding is recorded as a deferred outflow of resources. It is amortized over the shorter of the remaining life of the old debt or new debt based upon the interest method as a component of interest expense.

The Authority reports the following as deferred inflows of resources:

Defined Benefit Pension Plans – The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contribution and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

The Authority also reports deferred user charge and deferred connection fee revenues as deferred inflows of resources.

THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bond/Loan Premiums, Discounts

Bond discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable bond discount.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Grants

Contributions received from various sources as grants are recorded in the period earned. Developer financed construction is recorded in the period in which applicable construction costs are incurred. Donated assets are recorded at fair market value at the date of the gift. Grants not externally restricted and utilized to finance operations are identified as non-operating revenue.

Grants externally restricted for non-operating purposes are recorded as capital contributions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The estimates and assumptions affect the amounts reported in the financial statements. The actual results may differ from these estimates.

Adoption of Accounting Pronouncements

For the year ending December 31, 2018, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This Statement addresses accounting and financial reporting for other postemployment benefits (OPEB) that are provided to the employees of state and local governmental employers. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB in the basic financial statements, in addition to requiring more extensive note disclosures and required supplementary information. The Authority does not provide OPEB, therefore the adoption of this statement had no impact on the Authority's financial statements.

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

For the year ended December 31, 2018, the Authority adopted GASB Statement No. 85, Omnibus 2017 (GASB 85). The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The adoption of this Statement had no impact on the Authority's financial statements.

For the year ended December 31, 2018, the Authority adopted GASB Statement No. 86, Certain Debt Extinguishment Issues (GASB 86). The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption of this Statement had no impact on the Authority's financial statements.

Recent Accounting Pronouncements Not Yet Effective

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. GASB 83 will be effective for periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements although no impact is expected.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GASB 84 will be effective for periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements although no impact is expected.

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements Not Yet Effective (Continued)

In June 2017, the GASB issued Statement No. 87, *Leases* (GASB 87). The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements and a material impact is expected.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is currently evaluating the impact of the adoption of this Statement and has not yet determined the impact of this Statement on the financial statements.

In June 2018, the GASB issued Statement No.89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements Not Yet Effective (Continued)

in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this Statement and has not yet determined the impact of this Statement on the financial statements.

In August 2018, the GASB issued Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61) (GASB 90). The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management is currently evaluating the impact of the adoption of this Statement and has not yet determined the impact of this Statement on the financial statements.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations (GASB 91). The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement also requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Management is currently evaluating the impact of the adoption of this Statement and has not yet determined the impact of this Statement on the financial statements.

Subsequent Events

Management has evaluated subsequent events through August 27, 2019, the date the financial statements were available for issue.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

In accordance with the General Bond Resolution, the Authority has established the following cash and investment accounts for the deposit, in the priority of the order listed, of all revenue received by the Authority:

Revenue - All revenue received by the Authority and transfers to the various accounts described below.

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Operating - Amount to be required to pay reasonable and necessary operating expenses for a two month period.

Bond Service (Current Debt Service) - An amount equal to a daily accrual of interest and principal based upon a computation detailed in the resolution.

Sinking – Amount equal to all prior Sinking Fund installments then due and unpaid plus an accrual based upon a computation detailed in the resolution.

Bond Reserve (Future Debt Service) - An amount equal to the greatest sum of maturing principal of and interest on all bonds outstanding at such date which will become due and payable in the then current or any future bond year. Transfers to meet minimum levels in the Bond Service Fund; any excess is to be withdrawn by the trustee and credited to the Revenue Fund.

Renewal and Replacement - An amount which is reasonably necessary as a reserve for expenses for major repairs, renewals, replacements, or maintenance items of a non-recurring nature. Transfers to the Bond Service Fund if necessary to meet the minimum requirements, or payment, if any, of the necessary costs and expenses of reconstruction, replacements, renewals, major repairs or maintenance items of a non-recurring nature.

Construction – Any money received by the Authority from any source for payment of costs related to the construction, acquisition or restoration of the system.

Rebate – Amounts subject to rebate to the United States Government pursuant to the provisions of the Internal Revenue Code.

General – Any amounts in excess of minimum requirements in the above accounts. Transfers into the above funds if needed to meet the required balances in those accounts. When certain requirements are met, the Trustee may pay to the Authority any amount in excess of the required amount, which will be free and clear of any lien or pledge created by the resolution.

In addition to the accounts required by the General Bond Resolution, the Authority has also established the following restricted accounts:

Engineer Developer Custodian & Developer Escrow - The account is for deposits by developers for costs to be incurred by the Authority on their behalf.

1989 Bond Escrow Surplus - The account is for transfers from the escrow of amounts deemed to be in excess of the amounts needed to refund the defeased bonds of the Authority.

COMPLIANCE WITH GENERAL BOND RESOLUTION

Section 610 of the Authority's Series 1993 Bond Resolution requires that the Authority make, impose, charge and collect Revenues, as defined in the Resolution, in an amount which will be at least sufficient (a) to provide in each fiscal year an amount at least equal to the Operating Fund Requirement, (b) to provide in each fiscal year an amount which is

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

COMPLIANCE WITH GENERAL BOND RESOLUTION (CONTINUED)

equal to 110% of the Bond Service Requirement, (c) to provide in each fiscal year the amount, if any, which is needed so that the amount which is on deposit in the Bond Reserve Fund will equal the Bond Reserve Requirement, (d) to provide in each fiscal year the amount, if any, which is needed so that the amount which is on deposit in the Renewal and Replacement Fund will equal the System Reserve Requirement, (e) to provide for the payment of all other charges or liens which are related to the System whatsoever which are payable by the Authority out of such rents, fees and charges during such fiscal year, and (f) to provide in such fiscal year for payment of any additional amounts which are necessary to comply with the provisions of this Resolution and all other statutory and legal obligations of the Authority.

Revenues for the year 2018, as defined in the Authority's Bond Resolution, were greater than the amount necessary to meet those provisions and therefore the Authority met the rate covenant contained in Section 610 of the Authority's Bond Resolution, which is calculated as follows:

Revenues (Cash Collections)		<u>\$ 10,976,737</u>
Operating and Maintenance Expenses (Budgetary Basis)		9,084,079
110% of Bond Service:		
Bond Service	\$1,310,506	
X 110%	<u> X110%</u>	<u>1,441,557</u>
 Total Expenses and 110% of Bond Service		 <u>10,525,636</u>
 Excess of Revenues over Expenses and 110% of Bond Service		 <u><u>\$ 451,101</u></u>

AMOUNTS REQUIRED BY BOND RESOLUTION

The following cash and investment accounts are required by the General Bond Resolution:

	<u>Operating Fund</u>	<u>Bond Service Fund</u>	<u>Sinking Fund</u>	<u>Bond Reserve Fund</u>
Cash and Investments	\$ 1,525,004	\$ 13,021	\$ 479,930	\$ 1,906,673
Required Amount	<u>1,547,667</u>	<u>-</u>	<u>303,344</u>	<u>1,271,515</u>
Excess	<u>\$ (22,663) *</u>	<u>\$ 13,021</u>	<u>\$ 176,586</u>	<u>\$ 635,158</u>

* Result of timing differences. Amount added to the fund in 2019.

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

COMPLIANCE WITH GENERAL BOND RESOLUTION (CONTINUED)

ARBITRAGE RULES

The Authority is subject to certain arbitrage rules added to the Internal Revenue Code in 1969 and amended by TEFRA in 1992 and by the 1986 TRA. Under these rules, interest earnings on certain investments of proceeds of the Authority's bonds are subject to the limitations imposed by the arbitrage provisions of the Internal Revenue Code. The Authority is required to rebate certain arbitrage profits on non-purpose investments at least once every five years. At December 31, 2018 and 2017 there were no material arbitrage profits subject to rebate.

NOTE 3 DETAIL NOTES - ASSETS

CASH AND CASH EQUIVALENTS

At December 31, 2018 and 2017, the carrying amount of the Authority's time and demand deposits were \$2,120,764 and \$947,548, respectively, and the bank balance of the Authority's time and demand deposits were \$2,350,964 and \$1,051,926, respectively. All of the time and demand deposits were covered by either federal deposit insurance or by the Governmental Unit Deposit Protection Act (GUDPA).

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). The Authority's public funds in excess of the FDIC insured amounts are protected by GUDPA. As of December 31, 2018, \$250,000 of the Authority's bank balance of \$2,350,964 was insured, \$1,492,481 was uninsured and collateralized and \$608,483 was uninsured and uncollateralized. As of December 31, 2017, \$250,000 of the Authority's bank balance of \$1,051,926 was insured and \$801,926 was uninsured and collateralized.

In addition to the bank deposits described above, the Authority also had \$13,819,228 at December 31, 2018 and \$19,525,805 at December 31, 2017 that was invested in a government money market fund which is not covered by federal deposit insurance or by GUDPA, but which invests exclusively in general obligations issued by the U.S. Government and backed by its full faith and credit and which carries a credit rating of AAA.

At December 31, 2018 and 2017, the Authority had \$10,381,828 and \$11,748,053, respectively, invested in the New Jersey Cash Management Fund ("the Fund") which is not covered by either federal deposit insurance or by GUDPA. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above.

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 3 DETAIL NOTES - ASSETS

INVESTMENTS

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty’s trust department or agent but not in the Authority’s name.

All of the Authority’s \$1,139,508 investments in U.S. Treasury obligations and agencies and other governmental agencies are held in the name of the counterparty, as trustee for the Authority, not in the name of the Authority.

Interest Rate Risk- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. N.J.S.A. 40A:5-15.1 limits the investments that the Authority may purchase in order to limit the exposure of governmental units to credit risk. The Authority’s

Cash Management Plan also limits its investment choices to those permitted by N.J.S.A. 40A:5-15.1.

Concentration of Credit Risk – The Authority does not place a limit on the amount that may be invested in any one issuer. All of the Authority’s investments are government bonds held in various NJ State Agencies, NJ Municipalities, and County Authorities.

As of December 31, 2018, the Authority had the following investments and maturities:

	<u>Quality/Rating</u>	<u>Total Fair Value</u>		
	Baa1	\$ 890,000		
	Baa2	249,508		
	Total Investments	\$ 1,139,508		
			<u>Investment Maturities (in Years)</u>	
	<u>Total</u>	<u>Less</u>	<u>1-5</u>	<u>6-10</u>
Total Investments	Fair Value	than 1		
12/31/18	<u>\$ 1,139,508</u>	<u>\$ 1,139,508</u>	<u>\$ -</u>	<u>\$ -</u>

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 3 DETAIL NOTES - ASSETS

INVESTMENTS (CONTINUED)

As of December 31, 2017, the Authority had the following investments and maturities:

<u>Quality/Rating</u>	<u>Total Fair Value</u>
Aaa	\$ 509,014
Aa1	402,983
Baa1	903,119
Baa2	248,417
Total Investments	<u>\$ 2,063,533</u>

	<u>Investment Maturities (in Years)</u>			
	<u>Total Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Total Investments 12/31/17	<u>\$ 2,063,533</u>	<u>\$ 911,997</u>	<u>\$ 1,151,536</u>	<u>\$ -</u>

ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Accounts Receivable	\$ 1,309,179	\$ 1,181,986
Municipal Liens Receivable	21,900	21,900
Interest Receivable on Delinquent Charges	145,145	131,317
Due from Bank	<u>42</u>	<u>42</u>
	<u>\$ 1,476,266</u>	<u>\$ 1,335,245</u>

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 3 DETAIL NOTES - ASSETS

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance Jan. 1, 2018	Additions	Reductions	Balance Dec. 31, 2018
Non-Depreciable Capital Assets:				
Land	\$ 1,992,515	\$ 5,723		\$ 1,998,238
Construction In Progress	1,807,775	6,260,680		8,068,455
Total Non-Depreciable Capital Assets	<u>3,800,290</u>	<u>6,266,403</u>	<u>-</u>	<u>10,066,693</u>
Depreciable Capital Assets:				
Treatment Plant and Pumping Stations	59,423,434	996,655		60,420,089
Mains and Accessories	34,423,050	1,522,839		35,945,889
Machinery And Equipment	14,823,504	433,588		15,257,092
Office Furniture and Fixtures	489,580	5,843		495,423
Total Depreciable Capital Assets	<u>109,159,568</u>	<u>2,958,925</u>	<u>-</u>	<u>112,118,493</u>
Less Accumulated Depreciation:				
Treatment Plant and Pumping Stations	35,788,957	1,367,659		37,156,616
Mains and Accessories	11,923,465	503,638		12,427,103
Machinery and Equipment	10,895,337	369,750		11,265,087
Office Furniture and Fixtures	461,164	10,713		471,877
Total Accumulated Depreciation	<u>59,068,923</u>	<u>2,251,760</u>	<u>-</u>	<u>61,320,683</u>
Depreciable Capital Assets, Net	<u>50,090,645</u>	<u>707,165</u>	<u>-</u>	<u>50,797,810</u>
Total Capital Assets, Net	<u>\$53,890,935</u>	<u>\$ 6,973,568</u>	<u>\$ -</u>	<u>\$ 60,864,503</u>

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 3 DETAIL NOTES - ASSETS

CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance Jan. 1, 2017	Additions	Reductions	Balance Dec. 31, 2017
Non-Depreciable Capital Assets:				
Land	\$ 1,984,278	\$ 8,237	\$ -	\$ 1,992,515
Construction In Progress	464,340	1,438,078	94,643	1,807,775
Total Non-Depreciable Capital Assets	<u>2,448,618</u>	<u>1,446,315</u>	<u>94,643</u>	<u>3,800,290</u>
Depreciable Capital Assets:				
Treatment Plant and Pumping Stations	59,400,847	22,587		59,423,434
Mains and Accessories	34,269,359	153,691		34,423,050
Machinery And Equipment	13,486,804	1,336,700		14,823,504
Office Furniture and Fixtures	485,266	4,314		489,580
Total Depreciable Capital Assets	<u>107,642,276</u>	<u>1,517,292</u>	<u>-</u>	<u>109,159,568</u>
Less Accumulated Depreciation:				
Treatment Plant and Pumping Stations	34,420,409	1,368,548		35,788,957
Mains and Accessories	11,433,473	489,992		11,923,465
Machinery and Equipment	10,593,050	302,287		10,895,337
Office Furniture and Fixtures	450,659	10,505		461,164
Total Accumulated Depreciation	<u>56,897,591</u>	<u>2,171,332</u>	<u>-</u>	<u>59,068,923</u>
Depreciable Capital Assets, Net	<u>50,744,685</u>	<u>(654,040)</u>	<u>-</u>	<u>50,090,645</u>
Total Capital Assets, Net	<u>\$ 53,193,303</u>	<u>\$ 792,275</u>	<u>\$94,643</u>	<u>\$ 53,890,935</u>

NOTE 4 DETAIL NOTES - LIABILITIES

LONG-TERM LIABILITIES

Bonds Payable

In April 1993, the Authority issued its Sewer Revenue Bonds (Refunding Series 1993), in the principal amount of \$22,940,000. The proceeds derived from the issuance and sale of the Bonds were used to (a) advance refund the Authority's Sewer Revenue Bonds (Series 1976) then outstanding in the aggregate principal amount of \$5,200,000 and the Authority's second lien Sewer Revenue Bonds (Series 1989), then outstanding in the aggregate principal amount of \$15,855,000, (b) make a deposit into the Bond Reserve Fund established under the Resolution and (c) pay the premium for the municipal bond insurance policy and the costs and expenses incidental to the authorization, issuance and delivery of

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 4 DETAIL NOTES – LIABILITIES (CONTINUED)

LONG-TERM LIABILITIES (CONTINUED)

Bonds Payable (Continued)

the Bonds. The outstanding balance of the Series 1993 Bonds at December 31, 2018 consists of \$600,000 of Short-Term Auction Rate Securities – Series 1993B, and \$600,000 of Complimentary Auction Rate Securities – Series 1993C, which are term bonds with a maturity date of September 19, 2019, bearing interest at a combined or linked coupon rate of 5.65% per annum. The term bonds are subject to mandatory redemption in the annual amount of \$1,200,000.

In August 2016, the Authority issued its Sewer System Revenue Bonds, Series 2016, in the principal amount of \$25,000,000. The proceeds derived from the issuance and sale of the Bonds are being used to fund certain capital improvements to the Authority's wastewater treatment plant, pumping stations, and collection system, acquisition of equipment, related soft costs and capitalized interest. The outstanding balance of the Series 2016 Bonds at December 31, 2018 and 2017 in the amount of \$25,000,000 consists of serial maturities ranging from \$530,583 on December 31, 2020 to \$1,472,814 on December 31, 2046 at an interest rate of 3.95% per annum. The Series 2016 Bonds are not subject to prepayment for the first ten years. From year eleven (11) to year thirty (30), the prepayment penalty ranges from 10% of the outstanding principal in year eleven (11) to 1% of the outstanding principal balance in year thirty (30).

Net Pension Liability

For details on the net pension liability, refer to Note 5. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

Compensated Absences

Current policy allows employees who retire from the Authority via PERS to be reimbursed for fifty (50%) of accrued sick leave up to a maximum of \$10,000, calculated at the then current rate. Employees may carry vacation time into the subsequent year; however the time must be used within the first 90 days of the subsequent year.

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 4 DETAIL NOTES – LIABILITIES (CONTINUED)

LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of changes in long-term liabilities for the year ended December 31, 2018:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018	Amounts Due Within One Year
Type of Debt:					
Revenue Bonds Payable:					
Series 1993	\$ 2,400,000	\$ -	\$1,200,000	\$ 1,200,000	\$1,200,000
Series 2016	25,000,000		-	25,000,000	
	<u>27,400,000</u>		<u>1,200,000</u>	<u>26,200,000</u>	<u>1,200,000</u>
Less:					
Unamortized Original Issue Discount	(768)		(507)	(261)	
Net Bonds Payable	<u>27,399,232</u>	<u>-</u>	<u>1,199,493</u>	<u>26,199,739</u>	<u>1,200,000</u>
Accrued Pension Liability	<u>194,545</u>	<u>36,294</u>		<u>230,839</u>	
Net Pension Liability	<u>9,777,051</u>		<u>638,213</u>	<u>9,138,838</u>	
Compensated Absences	<u>302,539</u>		<u>19,029</u>	<u>283,510</u>	
	<u>\$ 37,673,367</u>	<u>\$36,294</u>	<u>\$1,856,735</u>	<u>\$ 35,852,926</u>	<u>\$1,200,000</u>

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 4 DETAIL NOTES – LIABILITIES (CONTINUED)

LONG-TERM LIABILITIES (CONTINUED)

The following is a summary of changes in long-term liabilities for the year ended December 31, 2017:

Type of Debt:	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Amounts Due Within One Year
Revenue Bonds Payable:					
Series 1993	\$ 3,500,000	\$ -	\$ 1,100,000	\$ 2,400,000	\$ 1,200,000
Series 2016	25,000,000		-	25,000,000	
	<u>28,500,000</u>		<u>1,100,000</u>	<u>27,400,000</u>	<u>1,200,000</u>
Less:					
Unamortized Original Issue Discount	(1,596)		(828)	(768)	
Net Bonds Payable	<u>28,498,404</u>	<u>-</u>	<u>1,099,172</u>	<u>27,399,232</u>	<u>1,200,000</u>
Accrued Pension Liability	<u>204,915</u>		<u>10,370</u>	<u>194,545</u>	
Net Pension Liability	<u>13,622,972</u>		<u>3,845,921</u>	<u>9,777,051</u>	
Compensated Absences	<u>324,408</u>		<u>21,869</u>	<u>302,539</u>	
	<u>\$ 42,650,699</u>	<u>\$ -</u>	<u>\$ 4,977,332</u>	<u>\$ 37,673,367</u>	<u>\$ 1,200,000</u>

The annual debt service requirements to maturity, including principal and interest (net of capitalized interest), for revenue bonds payable as of December 31, 2018 are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	\$ 1,200,000	\$ 71,515	\$ 1,271,515
2020	530,583	1,001,216	1,531,799
2021	551,832	979,966	1,531,798
2022	573,932	957,866	1,531,798
2023	596,917	934,880	1,531,797
2024 - 2028	3,362,905	4,296,088	7,658,993
2029 - 2033	4,092,445	3,566,548	7,658,993
2034 - 2038	4,980,249	2,678,742	7,658,991
2039 - 2043	6,060,650	1,598,342	7,658,992
2044 - 2046	4,250,487	344,908	4,595,395
	<u>26,200,000</u>	<u>\$ 16,430,071</u>	<u>\$ 42,630,071</u>
Less:			
Unamortized Original Issue Discount	(261)		
	<u>\$ 26,199,739</u>		

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 4 DETAIL NOTES – LIABILITIES (CONTINUED)

COMMITMENTS AND CONTINGENCIES

As of December 31, 2018 the Authority has entered into various commitments for construction projects in the amount of \$12,234,936. Costs incurred on those contracts to December 31, 2018 totaled \$5,349,525.

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEM

PENSIONS

A substantial number of Authority employees participate in the Public Employees' Retirement System ("PERS"), a defined benefit pension plan, which is administered by the New Jersey Division of Pensions and Benefits ("the Division"). In addition, Authority employees may participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the New Jersey Division of Pensions and Benefits. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by obtained from:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.state.nj.us/treasury/pensions>

Plan Descriptions

Defined Contribution Retirement Program (DCRP) – DCRP is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 5 DETAIL NOTES – RETIREMENT SYSTEM

PENSIONS (CONTINUED)

Public Employees' Retirement System – PERS is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Authority, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS' Board of Trustees is primarily responsible for the administration of the PERS. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

Vesting and Benefit Provisions

Defined Contribution Retirement Program – Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Public Employees' Retirement System – The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 5 DETAILED NOTES – RETIREMENT SYSTEM (CONTINUED)

PENSIONS (CONTINUED)

before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

Defined Contribution Retirement Program – The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. If applicable, in addition to the employee contributions, Authorities contribute 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period. The Authority had no employees participating in the DCRP for the years ended December 31, 2018, 2017 and 2016.

Public Employees' Retirement System – The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, 2017 and 2016, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 5 DETAILED NOTES – RETIREMENT SYSTEM (CONTINUED)

PENSIONS (CONTINUED)

Contributions (Continued)

Covered Authority employees are required to contribute a percentage of their salary toward their pension benefits. P.L. 2011, c78, effective June 28, 2011, increased the active member contribution rate from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2018 and 7.20% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. Employee contributions were \$237,277, \$220,688 and \$219,734 for the years ended December 31, 2018, 2017, and 2016, respectively. The payroll subject to pension for the Authority's employees covered by PERS was \$3,220,335, \$3,237,854, and \$3,050,187 for the years ended December 31, 2018, 2017 and 2016, respectively.

The Authority is required by statute to contribute to the employee's pension benefits based on an annual actuarial calculation. The valuation is a determination of the financial condition of the retirement system. The Authority's required annual contributions to the PERS were \$461,677, \$389,090 and \$409,830 for the years ended December 31, 2018, 2017, and 2016, respectively, and is included in the accompanying financial statements. The percentage of employer's contribution rate as a percentage of covered payroll for 2018, 2017 and 2016 was 14.34%, 12.02% and 13.44%, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS

At December 31, 2018 and 2017, the Authority reported a liability of \$9,138,838 and \$9,777,051, respectively for its proportionate share of the net pension liability. The net pension liability at December 31, 2018 and 2017 were measured as of June 30, 2018 and 2017, respectively. The total pension liability used to calculate the net pension liability on June 30, 2018 and 2017 was determined by an actuarial valuation as of July 1, 2017 and 2016, respectively. The Authority's proportion share of the net pension liability was as follows:

	<u>Allocation</u>		<u>Allocation</u>
June 30, 2018	0.0464147700%	June 30, 2017	0.0420005241%
June 30, 2017	<u>0.0420005241%</u>	June 30, 2016	<u>0.0461319889%</u>
Change	<u>0.0044142459%</u>	Change	<u>-0.0041314648%</u>

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

**NOTE 5 DETAILED NOTES – RETIREMENT SYSTEM (CONTINUED)
PENSIONS (CONTINUED)**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – PERS (Continued)

At December 31, 2018 and 2017, respectively, the Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience	\$ 174,279	\$ 47,123	\$ 230,216	\$ -
Changes of Assumptions	1,505,929	2,922,114	1,969,739	1,962,517
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	85,723	66,575	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	1,083,299	618,557	371,518	809,989
Authority Contributions Subsequent to the Measurement Date	230,839	-	194,545	-
	<u>\$2,994,346</u>	<u>\$3,673,517</u>	<u>\$2,832,593</u>	<u>\$2,772,506</u>

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

**NOTE 5 DETAILED NOTES – RETIREMENT SYSTEM (CONTINUED)
PENSIONS (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions – PERS (Continued)**

Deferred outflows of resources related to pensions in the amount of \$230,839 and \$194,545 will be included as a reduction of the net pension liability in the year ending December 31, 2018 and 2017, respectively. This amount is based on an estimated April 1, 2019 and April 1, 2018 contractually required contribution. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending		
<u>Dec 31,</u>		
2019	\$	(177,398)
2020		(177,398)
2021		(177,398)
2022		(177,398)
2023		(177,398)
2024		<u>(23,021)</u>
	<u>\$</u>	<u>(910,010)</u>

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

**NOTE 5 DETAILED NOTES – RETIREMENT SYSTEM (CONTINUED)
PENSIONS (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions – PERS (Continued)**

The Authority will amortize the above other deferred outflow of resources and deferred inflows of resources related to pensions over the following number of years:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018		5.63
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018		5.63
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	5.00	-
June 30, 2016	5.00	-
June 30, 2017	-	5.00
June 30, 2018	-	5.00

Actuarial Assumptions

The total pension liability for the June 30, 2018 and 2017 measurement dates were determined by actuarial valuations as of July 1, 2017 and 2016, respectively, which were rolled forward to June 30, 2018 and 2017, respectively.

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 5 DETAILED NOTES – RETIREMENT SYSTEM (CONTINUED)

PENSIONS (CONTINUED)

These actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

	June 30, 2018
Inflation	2.25%
Salary Increases:	
2012-2021	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	
Study upon which Actuarial	
Assumptions were Based	July 1, 2011 - June 30, 2014

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 5 DETAILED NOTES – RETIREMENT SYSTEM (CONTINUED)

PENSIONS (CONTINUED)

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018 and 7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of returns for each major asset class included in PERS's target asset allocation as of June 30, 2018 and 2017 are summarized in the table on the following page:

<u>Asset Class</u>	<u>June 30, 2018</u>		<u>June 30, 2017</u>
	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>	<u>Target Allocation</u>
Absolute Return/Risk Mitigation	5.00%	5.51%	5.00%
Buyouts/Venture Capital	8.25%	13.08%	8.25%
Cash	5.50%	1.00%	5.50%
Credit Oriented Hedge Funds	1.00%	6.60%	1.00%
Debt Related Private Equity	2.00%	10.63%	2.00%
Debt Related Real Estate	1.00%	6.61%	1.00%
Emerging Market Equities	6.50%	11.64%	6.50%
Equity Related Real Estate	6.25%	9.23%	6.25%
Global Diversified Credit	5.00%	7.10%	5.00%
Investment Grade Credit	10.00%	3.78%	10.00%
Non-U.S. Developed Markets	11.50%	9.00%	11.50%
Private Real Estate	2.50%	11.83%	2.50%
Public High Yield Bonds	2.50%	6.82%	2.50%
U.S. Equity	30.00%	8.19%	30.00%
U.S. Treasuries	3.00%	1.87%	3.00%
	<u>100.00%</u>		<u>100.00%</u>

Discount Rate

The discount rate used to measure the total pension liability was 5.66% and 5.00% as of June 30, 2018 and 2017, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.00%, and a municipal bond rate of 3.87% and 3.58% as of June 30, 2018 and 2017, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 5 DETAILED NOTES – RETIREMENT SYSTEM (CONTINUED)

PENSIONS (CONTINUED)

State employer contributed 50% and 40% of the actuarial determined contributions as of June 30, 2018 and 2017, respectively. The local employer's contributed 100% of their actuarially required contributions for both June 30, 2018 and 2017. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return of plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability at June 30, 2018 and 2017, respectively, calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	June 30, 2018		
	1% Decrease 4.66%	Current Discount Rate 5.66%	1% Increase 6.66%
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 11,491,034</u>	<u>\$ 9,138,838</u>	<u>\$ 7,165,494</u>
	June 30, 2017		
	1% Decrease 4.00%	Current Discount Rate 5.00%	1% Increase 6.00%
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 12,129,095</u>	<u>\$ 9,777,051</u>	<u>\$ 7,817,506</u>

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 6 DETAILED NOTES – NET POSITION

RESTRICTED NET POSITION

The Authority has restricted net position for the following purposes in accordance with the requirements of its Bond Resolution.

	<u>2018</u>	<u>2017</u>
Debt Service	\$ 622,679	\$ 605,772
Operating	1,548,000	1,515,000
Renewal and Replacement	500,000	500,000

UNRESTRICTED NET POSITION

Designated:

The Authority has, by resolution, designated a portion of its Unrestricted Net Position for the following purposes:

Subsequent Year's Expenditures – The amount so designated as of December 31, 2018 and 2017 is \$50,000 and \$50,000, respectively.

Undesignated:

The balance of unrestricted and undesignated net position (deficit) as of December 31, 2018 and 2017 of \$(4,914,049) and \$(5,415,778), respectively, is comprised of the following:

	<u>2018</u>	<u>2017</u>
Amount Related to Pensions (GASB 68 and 71)	\$ (10,510,524)	\$ (10,300,599)
Undesignated before GASB 68 and 71		
Pension Related Items	5,596,475	4,884,821
	<u>\$ (4,914,049)</u>	<u>\$ (5,415,778)</u>

NOTE 7 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance for risk of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**THE LANDIS SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018 AND 2017**

NOTE 8 LEASE AGREEMENT WITH RELATED ENTITY

On April 3, 2009, the Authority entered into a lease agreement with the City of Vineland ("City") to lease 15.87 acres of land owned by the Authority to the City, who then sublet the land to Conectiv Vineland Solar, LLC, for the purpose of constructing and operating a solar photovoltaic electric generating facility. The term of the lease shall end on the date the City's Power Purchase and Sale Agreement with Conectiv Vineland Solar, LLC ends, or such date the City and the Authority may agree upon. The maximum term shall not exceed thirty (30) years without written approval of the Authority. The Authority will receive a percentage of the City's savings from the solar energy delivered both on a monthly and annual basis during the term of the agreement. As described in Note 1, the Authority is a related organization to the City of Vineland, but not a Component Unit of the City.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

**THE LANDIS SEWERAGE AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION - PART II
SCHEDULES OF PROPORTIONATE SHARE, EMPLOYER CONTRIBUTIONS AND NOTES
STATE OF NEW JERSEY PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**

Schedule of Proportionate Share of Net Pension Liability at June 30 (measurement date)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.0464147700%	0.0420005241%	0.0461319889%	0.0433908573%	0.0441950963%	0.0438836049%
Authority's Proportionate Share of the Net Pension Liability	\$ 9,138,837	\$ 9,777,051	\$ 13,662,972	\$ 9,740,378	\$ 8,274,531	\$ 8,387,029
Authority's Covered-Employee Payroll	\$ 3,259,500	\$ 2,991,632	\$ 3,164,092	\$ 2,863,016	\$ 3,056,348	\$ 3,014,168
Authority's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered-Employee Payroll	280.38%	326.81%	431.81%	340.21%	270.73%	278.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

Schedule of Employer Contributions

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 461,677	\$ 389,090	\$ 409,830	\$ 373,045	\$ 364,338	\$ 330,654
Contributions in Relation to the Contractually Required Contribution	\$ (461,677)	\$ (389,090)	(409,830)	(373,045)	(364,338)	(330,654)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered-Employee Payroll	\$ 3,220,335	\$ 3,237,854	\$ 3,050,187	\$ 3,126,640	\$ 2,940,410	\$ 3,026,210
Contributions as a Percentage of Authority's Covered-Employee Payrol	14.34%	12.02%	13.44%	11.93%	12.39%	10.93%

Notes

Changes in Benefit Terms - There were no significant changes in benefits for the July 1, 2017 and 2016 actuarial valuation.

Changes in Assumptions - In accordance with Paragraph 44 of GASB Statement No. 67 the discount rate for June 30, changed as follows:

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
5.66%	5.00%	3.98%	4.90%	5.39%	5.55%

Schedule Presentation - These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

SUPPLEMENTARY INFORMATION

THE LANDIS SEWERAGE AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION-
NET INVESTMENT IN CAPITAL ASSETS, RESTRICTED AND UNRESTRICTED
YEARS ENDED DECEMBER 31, 2018 AND 2017

	NET INVESTMENT IN CAPITAL ASSETS	UNRESTRICTED		RESTRICTED				TOTALS (MEMO)	
		UNDESIGNATED	DESIGNATED	DEBT SERVICE	CONSTRUCTION	RENEWAL AND REPLACEMENT	OPERATING	2018	2017
OPERATING REVENUE:									
User Charges and Fees	\$ -	\$ 10,144,945	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,144,945	\$ 10,283,568
Connection Fees		501,520						501,520	249,000
Other		232,958						232,958	217,509
		<u>10,879,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,879,423</u>	<u>10,750,077</u>
OPERATING EXPENSES:									
Cost of Providing Services		6,839,466						6,839,466	6,538,172
Administrative and General		2,072,089						2,072,089	2,180,391
Depreciation		2,251,760						2,251,760	2,171,333
		<u>11,163,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,163,315</u>	<u>10,889,896</u>
OPERATING LOSS	<u>-</u>	<u>(283,892)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(283,892)</u>	<u>(139,819)</u>
NON-OPERATING REVENUE (EXPENSES):									
Miscellaneous Income		61,043						61,043	21,260
Interest Income		162,211		78,329	2,600			243,140	165,605
Interest Expense		(125,802)						(125,802)	(206,657)
Appropriation to City of Vineland		(50,000)						(50,000)	-
Decrease in Fair Value of Investments		(29,026)						(29,026)	(35,650)
		<u>18,426</u>	<u>-</u>	<u>78,329</u>	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>99,355</u>	<u>(55,442)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>-</u>	<u>(265,466)</u>	<u>-</u>	<u>78,329</u>	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>(184,537)</u>	<u>(195,261)</u>
CAPITAL CONTRIBUTIONS	97,696							97,696	54,665
TRANSFERS AND ADJUSTMENTS:									
Interest Income		80,929		(78,329)	(2,600)			-	-
Other Transfers	(736,173)	686,266		16,907			33,000	-	-
INCREASE (DECREASE) IN NET POSITION	<u>(638,477)</u>	<u>501,729</u>	<u>-</u>	<u>16,907</u>	<u>-</u>	<u>-</u>	<u>33,000</u>	<u>(86,841)</u>	<u>(140,596)</u>
NET POSITION - JANUARY 1,	<u>49,823,484</u>	<u>(5,415,778)</u>	<u>50,000</u>	<u>605,772</u>	<u>-</u>	<u>500,000</u>	<u>1,515,000</u>	<u>47,078,478</u>	<u>47,219,074</u>
NET POSITION - DECEMBER 31,	<u>\$ 49,185,007</u>	<u>\$ (4,914,049)</u>	<u>\$ 50,000</u>	<u>\$ 622,679</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 1,548,000</u>	<u>\$ 46,991,637</u>	<u>\$ 47,078,478</u>
UNRESTRICTED NET POSITION (DEFICIT)- UNDESIGNATED-									
Related to Pensions (GASB 68 and 71)		(10,510,524)							
Before GASB 68 and 71 Pension Related Items		5,596,475							
		<u>\$ (4,914,049)</u>							

THE LANDIS SEWERAGE AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018 BUDGET</u>	<u>2018 ACTUAL</u>	<u>2017 ACTUAL</u>
REVENUE:			
User Charges and Fees	\$ 9,630,000	\$ 10,144,945	\$ 10,283,568
Connection and Lateral Fees	330,000	501,520	249,000
Other Revenue	250,000	294,001	238,769
Interest Income	290,000	243,140	165,605
Total Revenue	<u>10,500,000</u>	<u>11,183,606</u>	<u>10,936,942</u>
EXPENSES:			
Cost of Providing Services:			
Salaries - Supervision	1,150,000	1,173,005	1,140,739
Salaries and Wages	1,960,000	1,892,839	1,881,826
Employee Benefits	1,320,000	1,296,227	1,299,137
Payroll Taxes	253,700	233,316	230,262
Utilities and Telephone	904,000	1,111,628	949,928
Miscellaneous Materials and Supplies	153,000	140,832	188,989
Repairs and Maintenance	381,000	312,852	232,502
Laboratory Testing	25,000	23,337	23,424
Grit and Grease Disposal	7,000	7,013	5,412
Mobile Equipment Expense	92,000	137,694	73,939
Chemicals	254,000	191,148	198,298
Industrial Pretreatment	19,000	10,610	12,488
Farm Supplies, Maintenance and Utilities	130,000	150,052	140,659
	<u>6,648,700</u>	<u>6,680,553</u>	<u>6,377,603</u>
Administrative and General Expenses:			
Salaries and Wages	880,000	984,148	948,084
Employee Benefits	452,000	388,553	412,812
Payroll Taxes	71,300	73,558	71,538
Professional Services	180,000	172,160	180,877
Insurance	162,000	169,886	163,113
Travel	6,000	4,610	5,771
Public Relations	1,000	956	
City of Vineland - Tax Office	10,300	10,250	10,250
Permit Fees	243,000	74,830	198,611
Miscellaneous Expense	53,700	48,262	46,232
Office Expenses	90,000	83,641	83,486
Chairman's Expenses	8,000	6,223	5,252
Household Hazardous Waste Clean-Up Day	4,000	4,000	4,000
	<u>2,161,300</u>	<u>2,021,077</u>	<u>2,130,026</u>
Interest Expense	<u>114,000</u>	<u>112,735</u>	<u>185,336</u>

THE LANDIS SEWERAGE AUTHORITY
SCHEDULE OF REVENUES AND COSTS FUNDED BY
REVENUES COMPARED TO BUDGET - BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2018
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2018</u> <u>BUDGET</u>	<u>2018</u> <u>ACTUAL</u>	<u>2017</u> <u>ACTUAL</u>
OTHER COSTS FUNDED BY REVENUE:			
Principal Maturities	\$ 1,200,000	\$ 1,200,000	\$ 1,100,000
Debt Service Coverage Requirement	51,000		
Municipal Appropriations	50,000	50,000	
Capital Outlays	275,000	347,522	200,138
	<u>1,576,000</u>	<u>1,597,522</u>	<u>1,300,138</u>
TOTAL COSTS FUNDED BY REVENUE	<u>10,500,000</u>	<u>10,411,887</u>	<u>9,993,103</u>
REVENUES OVER COSTS FUNDED BY REVENUES	<u>\$ -</u>	771,719	943,839
Reconciliation of Budgetary Basis to Change in Net Position:			
Adjustments to Budgetary Basis:			
Principal Maturities		1,200,000	1,100,000
Capital Outlays		347,522	200,138
Depreciation		(2,251,760)	(2,171,333)
Amortization Charged to Interest Expense		(13,067)	(21,321)
Decrease in Fair Value of Investments		(29,026)	(35,650)
Capital Contributions		97,696	54,665
Pension Expense - Difference of GAAP vs. Budgetary Basis		<u>(209,925)</u>	<u>(210,934)</u>
CHANGE IN NET POSITION PER EXHIBIT B		<u>\$ (86,841)</u>	<u>\$ (140,596)</u>

**THE LANDIS SEWERAGE AUTHORITY
SCHEDULE OF TERM BONDS PAYABLE
DECEMBER 31, 2018**

DESCRIPTION	ORIGINAL ISSUE	DATE OF ISSUE	MATURITIES		INTEREST RATE	BALANCE JANUARY 1, 2018	ISSUED 2018	PRINCIPAL PAID 2018	BALANCE DECEMBER 31, 2018	
			DATE	AMOUNT						
Short Term Auction Rate Securities-Series 1993-B	(2)	\$ 6,500,000	4/1/93	9/19/2019	\$ 6,500,000	VARIOUS (1)	\$ 1,200,000	\$ 600,000	\$ 600,000	
Complimentary Auction Rate Securities-Series 1993-C	(2)	6,500,000	4/1/93	9/19/2019	6,500,000	VARIOUS (1)	1,200,000	600,000	600,000	
							<u>\$ 2,400,000</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>

(1) The combined rate or Linked Coupon Rate is 5.65% which is the rate the Authority pays, even though the rates for each of these Securities can change at each Auction Date.

(2) The Short Term Auction Rate Securities and the Complimentary Auction Rate Securities are subject to mandatory redemption through October 1, 2019 at 100% of the principal amounts established as follows:

Year	Principal Amount of Short Term Auction Rate Securities	Principal Amount of Complimentary Auction Rate Securities
2019	<u>\$ 600,000</u>	<u>\$ 600,000</u>

**THE LANDIS SEWERAGE AUTHORITY
SCHEDULE OF SEWER REVENUE BONDS PAYABLE
DECEMBER 31, 2018**

DESCRIPTION	ORIGINAL		INTEREST RATE	MATURITIES		BALANCE JANUARY 1, 2018	ISSUED 2018	PRINCIPAL PAID 2018	BALANCE DECEMBER 31, 2018
	DATE	AMOUNT		DATE	AMOUNT				
Issue of 2016	8/11/2016	\$ 25,000,000	3.95%	12/31/2020	\$ 530,583	\$ 25,000,000	\$ -	\$ -	\$ 25,000,000
			3.95%	12/31/2021	551,832				
			3.95%	12/31/2022	573,932				
			3.95%	12/31/2023	596,917				
			3.95%	12/31/2024	620,823				
			3.95%	12/31/2025	645,686				
			3.95%	12/31/2026	671,545				
			3.95%	12/31/2027	698,440				
			3.95%	12/31/2028	726,411				
			3.95%	12/31/2029	755,503				
			3.95%	12/31/2030	785,760				
			3.95%	12/31/2031	817,228				
			3.95%	12/31/2032	849,957				
			3.95%	12/31/2033	883,997				
			3.95%	12/31/2034	919,400				
			3.95%	12/31/2035	956,220				
			3.95%	12/31/2036	994,516				
			3.95%	12/31/2037	1,034,344				
			3.95%	12/31/2038	1,075,769				
			3.95%	12/31/2039	1,118,852				
			3.95%	12/31/2040	1,163,660				
			3.95%	12/31/2041	1,210,263				
			3.95%	12/31/2042	1,258,732				
			3.95%	12/31/2043	1,309,143				
			3.95%	12/31/2044	1,361,572				
			3.95%	12/31/2045	1,416,101				
			3.95%	12/31/2046	1,472,814				
						<u>\$ 25,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000,000</u>

**THE LANDIS SEWERAGE AUTHORITY
FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2018**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None Noted

**THE LANDIS SEWERAGE AUTHORITY
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2018**

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

None Noted

**THE LANDIS SEWERAGE AUTHORITY
ROSTER OF OFFICIALS**

<u>Authority Members</u>	<u>Position</u>	<u>Amount of Surety Bond</u>
Carlos E. Villar	Chairman	\$ 10,000
Joseph J. Reuben	Vice Chairman	10,000
G. Steven Errickson	Secretary	10,000
Thomas J. Merighi, Jr.	Treasurer	10,000
Perry D. Barse	Assistant Secretary/Treasurer	10,000

Other Officials

A. Steven Fabietti	Solicitor	
Dennis W. Palmer	Executive Director/Chief Engineer	10,000
David R. Kotok	Financial Advisor	

Surety Companies

Selective Insurance Company of America